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GENERAL

1. Analysis of Soviet note on CFM--In the view of US Embassy Moscow, the Soviet reply to the Western proposals regarding a Council of Foreign Ministers meeting is obviously designed to leave the general impression that the USSR is willing to engage in exploratory talks leading to an actual CFM. The note contains no indication of any change in the Soviet position that the question of demilitarization of Germany is the most important for CFM discussion and that the USSR considers the Prague declaration a proper basis for the discussion of German problems in general. According to the Embassy, the note implies that problems having world-wide and perhaps particularly Asiatic significance can only be appropriately considered if the fifth world power, China, is included in the CFM. The Embassy sees a further indication of Soviet willingness to broaden the field of discussion, perhaps to include the Austrian question and others of European significance, in the statement that remilitarization of Western Germany creates serious difficulties for those questions the CFM should consider. The Embassy interprets this statement to mean that the USSR may demand the discontinuance of German remilitarization as the price for settlement of these questions. The Embassy concludes that the wording of the note seems deliberately ambiguous and calculated less toward immediate propaganda gain than toward maintaining flexibility for propaganda successes during the course of the talks themselves.

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2. Soviet propaganda on German question--The US High Commission in Berlin reports that the Soviet-controlled press is continuing intensive propaganda to increase pressure for East-West German talks, with the immediate purpose of

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State Dept. review completed

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influencing the course of an eventual four-power conference. The maximum Soviet aim, according to the High Commission, is apparently to have the East and West Germans reach an understanding acceptable to the Communists prior to a four-power conference, and the minimum aim is to build up an "unhappy public opinion" in Germany so as to limit the Western Powers' freedom of negotiation at the conference.

3. Indonesians reported ready to dissolve Dutch Union--US Ambassador Cochran in Djakarta reports that as a result of the failure to reach agreement with the Dutch on the transfer of sovereignty over Netherlands New Guinea, the Indonesian Cabinet has "practically decided" to denounce the Netherlands-Indonesian union and is only awaiting the return of the Indonesian delegate from The Hague before formalizing its decision.

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EUROPE

4. YUGOSLAVIA: Tito expresses foreign policy views--According to US Ambassador Allen, Marshal Tito recently told the British Military Attache, in a discussion of Yugoslavia's military requirements, that his object is to keep Yugoslavia neutral at least until the outbreak of the third World War. Declaring that in order to remain neutral he must act neutrally, Tito said he would give no provocation to Moscow and could not ask for arms from the West even if he wanted to. Tito is satisfied that his standing army is well-equipped, or would be "in the nearest future," and implied that Yugoslavia could fight alone except if invaded by the USSR. Tito said that in that event he would need help from the West.

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